



Economic and Revenue Forecast Council

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Revenues rise, risks remain high

OLYMPIA, February 16, 2012 –Our current economic forecast is very similar to our November forecast, with the same muddle-through conditions expected for the rest of the biennium, along with a high degree of downside risk. Factors outside the state are the biggest threat to the U.S. and Washington economies. It is likely that Europe will enter another recession or is already in one. If the sovereign debt crisis leads to a financial crisis, the U.S. economy is likely to enter a new recession as well. The weakness in Europe has contributed to a slowdown in Asia, a concern for Washington exporters.

The Washington economy is recovering about as expected in the November forecast. There have been no major developments since November that have altered the outlook significantly. The state's economy is narrowly outperforming the U.S. economy and we expect that trend to continue.

Forecast changes due to economic conditions, including revenue already collected, added \$32.2 million, for a total increase of \$95.7 million above the November forecast. General Fund-State revenue for the 2011-13 biennium is now forecasted at \$30.284 billion.

The initial forecast of General Fund-State revenue for the 2013-15 biennium is \$32.294 billion, an increase of 6.6 percent from the revenue of the current biennium.

Forecast of GF-S Revenues (probabilities in parenthesis): 2011-13

Baseline (50%): \$30,284 billion; \$95.7 million higher than the previous forecast.

Optimistic (10%): \$32,025 billion; \$1,741 million more than the baseline forecast.

Pessimistic (40%): \$28,749 billion; \$1,535 million less than the baseline forecast.

Governor's Council of Economic Advisors' assumptions: \$30,261 billion; \$23 million less than the baseline forecast.

Please see our full report for more information. You can access this report at:
<http://www.erfc.wa.gov/forecast/documents/rev20120216color.pdf>

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About the ERFC:

The ERFC was established under RCW 82.33 to provide the Governor and the Legislature with official independent and professional forecasts of the state economy and revenues.